



**KITCHENER WILMOT HYDRO INC.**

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June 13, 2011

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Ms Walli:

**RE: Kitchener Wilmot Hydro's Conservation and Demand Management Strategy  
Addendum - Board File No: EB-2010-0215**

Please find attached the addendum to Kitchener Wilmot Hydro's Conservation and Demand Management Strategy ("CDM Strategy"), as requested in the acknowledgement letter issued by the Ontario Energy Board (the "Board") on November 26<sup>th</sup>, 2010.

The figures included in the addendum reflect estimated budgets for Ontario Power Authority ("OPA") Contracted Province-Wide Programs and Board-Approved CDM programs. Kitchener Wilmot Hydro anticipates filing a joint Application with other LDCs for Board-Approved CDM Programs, in the future.

As such, the attached document reflects Kitchener Wilmot Hydro's anticipated budgets in reference to the noted programs. If there are any questions, please contact John Finch at 519-749-6196, [jfinch@kwhydro.ca](mailto:jfinch@kwhydro.ca) or myself at 519-745-4771 ext 280 [jvanooteghem@kwhydro.ca](mailto:jvanooteghem@kwhydro.ca).

Yours truly,

***Original Signed By***

Jerry Van Ooteghem  
President & CEO

## Addendum to the CKW Group CDM Strategy

### Background

This addendum has been issued in response to a request from the Ontario Energy Board (“OEB”) to supplement the November 1<sup>st</sup>, 2010 Conservation and Demand Management (“CDM”) Strategy filed by Cambridge and North Dumfries Hydro Inc., Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. (the “CKW Group”). This addendum provides estimates of the 2011-2014 budgets for the CKW Group’s delivery of CDM Programs.

On September 16<sup>th</sup>, 2010, the OEB issued the final code entitled *Conservation and Demand Management Code for Electricity Distributors* (the “Code”). The Code requires that licensed electricity distributors (LDC) must meet mandated CDM targets during the 2011 to 2014 period as a condition of each distributor’s licence requirements.

In accordance with the Code, the CKW Group filed their CDM Strategy for 2011-2014 program delivery. At that time, all available information was used to create the estimated kW and kWh savings associated with program results. Budgetary information was not yet available from the Ontario Power Authority (“OPA”) related to OPA-Contracted Province-Wide CDM Programs, as the initiative schedules were incomplete.

In a letter to each CKW Group member dated November 26, 2010, the OEB determined that the CKW Group CDM Strategy was incomplete and issued a subsequent directive to;

*“file an addendum to its CDM Strategy that contains estimated, prospective budgets for planned OPA-Contracted Province-Wide CDM Program...using the methodology of its choice.”*

at the time of writing, all LDCs except for four received this same direction.

A follow up letter was issued by the OEB on February 18<sup>th</sup>, 2011 to All Licensed Electricity Distributors regarding the requirements of an addendum with complete budget information. Upon completion of the OPA-Contracted Province-Wide CDM Programs, LDCs would have 21 days to file an addendum. Notification of the commencement of the 21 day period was received May 20<sup>th</sup>, 2011.

### Funding Components

As found in Article 4 of the Master CDM Program Agreement there are five funding components with respect to the OPA-Contracted Province-Wide CDM Programs:

- Program Administration Budget (“PAB”)
- Participant Based Funding (“PBF”)
- Participant Based Incentive (“PBI”)
- Capability Building Funding (“CBF”)
- Cost Efficiency Incentive (“CEI”)

As noted in the February 18<sup>th</sup> letter, the OEB has not requested projected budget figures for the CEI, as it will be an amount rewarded to the LDCs at the end of the program's life for implementing their OPA-Contracted Province-Wide CDM Programs in a cost efficient manner.

## Methodology

The budget estimates for the CKW Group in Appendix A, B, and C were developed using historical program research, participation assumptions, specific market intelligence, and the OPA Resource Planning Tool. They are based upon:

- PAB funding as allocated by the OPA, and
- PBF and PBI assumptions derived from the Resource Planning Tool, as provided by the OPA, with adjustment.

Forecasts on program uptake and overall program success helped to determine a four-year budget outlook based on energy savings (kWh) and demand savings (kW) targets specific to each member of the CKW Group.

Insight from previous CDM program delivery has been used to determine reasonable uptake from the Residential sector. Increased participation and interest in the Commercial & Institutional and Industrial programs has been used to provide a reasonable increase trend for participation in those programs.

Note that the prospective budget portfolio total above is not inclusive of any OPA Low Income Program costs or future Board-Approved CDM Programs. Further details regarding Low Income programs are pending from the OPA. Once these details are available it is Kitchener Wilmot's intension to resubmit energy savings and demand savings targets for the 2011 to 2014 period.

## Constraints and Limitations

Final budget results may be higher or lower depending on such factors as:

- The specific technologies and measures to be implemented and the associated incentives based on the measures performance;
- The details of the program design and the cost of delivering the programs;
- The possible need for the programs to exceed energy targets in order to meet demand targets (or vice versa);
- New to LDC delivery programs where consumer awareness may require additional time; and
- The yet to be released schedule for the new Residential and Small Commercial Demand Response program.

The CKW Group will provide annual reports on progress relative to budget and advise on what, if any, adjustments are required to ensure that the targets that have been set are achieved and exceeded.

## List of Appendices

<b>Appendix A</b>	Cambridge and North Dumfries Hydro Inc.
<b>Appendix B</b>	Kitchener Wilmot Hydro Inc.
<b>Appendix C</b>	Waterloo North Hydro Inc.

Appendix A

Cambridge and North Dumfries Hydro Inc.

PROGRAM ADMINISTRATION BUDGET ESTIMATES	Total
Residential	\$ 1,445,148.60
Commercial & Institutional	\$ 1,533,921.67
Industrial	\$ 229,505.40
Total	\$ 3,208,575.67

PARTICIPANT BASED FUNDING ESTIMATES	Total
Residential	\$ 1,161,729.50
Commercial & Institutional	\$ 535,700.00
Industrial	\$ 5,250.00
Total	\$ 1,702,679.50

PARTICIPANT INCENTIVE FUNDING ESTIMATES	Total
Residential	\$ 148,000.00
Commercial & Institutional	\$ 8,313,500.00
Industrial	\$ 3,341,000.00
Total	\$ 11,802,500.00

CAPABILITY BUILDING FUNDING ESTIMATES	Total
Residential	\$ -
Commercial & Institutional	\$ -
Industrial	\$ 1,000,000.00
Total	\$ 1,000,000.00

Portfolio Total \$ 17,713,755.17

## Appendix B

### Kitchener Wilmot Hydro Inc

PROGRAM ADMINISTRATION BUDGET ESTIMATES	Total
Residential	\$ 1,843,964.16
Commercial & Institutional	\$ 2,078,749.28
Industrial	\$ 296,463.14
<b>Total</b>	<b>\$ 4,219,176.58</b>

PARTICIPANT BASED FUNDING ESTIMATES	Total
Residential	\$ 1,436,071.50
Commercial & Institutional	\$ 540,750.00
Industrial	\$ 7,500.00
<b>Total</b>	<b>\$ 1,984,321.50</b>

PARTICIPANT INCENTIVE FUNDING ESTIMATES	Total
Residential	\$ 127,000.00
Commercial & Institutional	\$ 10,532,500.00
Industrial	\$ 2,582,000.00
<b>Total</b>	<b>\$ 13,241,500.00</b>

CAPABILITY BUILDING FUNDING ESTIMATES	Total
Residential	\$ -
Commercial & Institutional	\$ -
Industrial	\$ 820,450.00
<b>Total</b>	<b>\$ 820,450.00</b>

Portfolio Total \$ 20,265,448.08

## Appendix C

### Waterloo North Hydro Inc.

PROGRAM ADMINISTRATION BUDGET ESTIMATES	Total
Residential	\$ 1,200,910.53
Commercial & Institutional	\$ 1,502,946.03
Industrial	\$ 209,048.54
<b>Total</b>	<b>\$ 2,912,905.10</b>

PARTICIPANT BASED FUNDING ESTIMATES	Total
Residential	\$ 1,306,147.00
Commercial & Institutional	\$ 468,650.00
Industrial	\$ 5,250.00
<b>Total</b>	<b>\$ 1,780,047.00</b>

PARTICIPANT INCENTIVE FUNDING ESTIMATES	Total
Residential	\$ 82,000.00
Commercial & Institutional	\$ 9,530,000.00
Industrial	\$ 2,031,000.00
<b>Total</b>	<b>\$ 11,643,000.00</b>

CAPABILITY BUILDING FUNDING ESTIMATES	Total
Residential	\$ -
Commercial & Institutional	\$ -
Industrial	\$ 712,142.86
<b>Total</b>	<b>\$ 712,142.86</b>

Portfolio Total \$ 17,048,094.96